

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Notes to Basic Financial Statements		24-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		34
Notes to Required Supplementary Information - Budgetary Reporting		35
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	38
Schedule of Changes in Fiduciary Assets and Liabilities Agency Fund	4	39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		41-42
Schedule of Findings		43-45

Southeast Warren Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Chris Wadle	President(Resigned)	2007
Ron Miller	Vice President	2006
Jennifer Birchette	Board Member	2008
John Burrell	Board Member	2008
Chris Hardy	Board Member	2006
Larrie Williams	Board Member(Appointed)	2006

Board of Education
(After September 2006 Election)

Ron Miller	President	2009
John Burrell	Vice President	2008
Paul Mead	Board Member	2009
Jennifer Birchette	Board Member	2008
Larrie Williams	Board Member	2007

School Officials

Harold Hulleman	Superintendent	2007
Julie Wilson	Board Secretary and Business Manager	2007
Ahlers & Cooney Law Firm	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3060
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Southeast Warren Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Warren Community School District, Liberty Center, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Southeast Warren Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2008 on our consideration of Southeast Warren Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

Members American Institute & Iowa Society of Certified Public Accountants

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Warren Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Southeast Warren Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,806,185 in fiscal 2006 to \$4,934,988 in fiscal 2007, while General Fund expenditures increased from \$4,829,163 in fiscal 2006 to \$5,036,334 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$266,586 in fiscal 2006 to a balance of \$176,454 in fiscal 2007, a 3.38% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Southeast Warren Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Southeast Warren Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Southeast Warren Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Southeast Warren Community School District Annual Financial Report

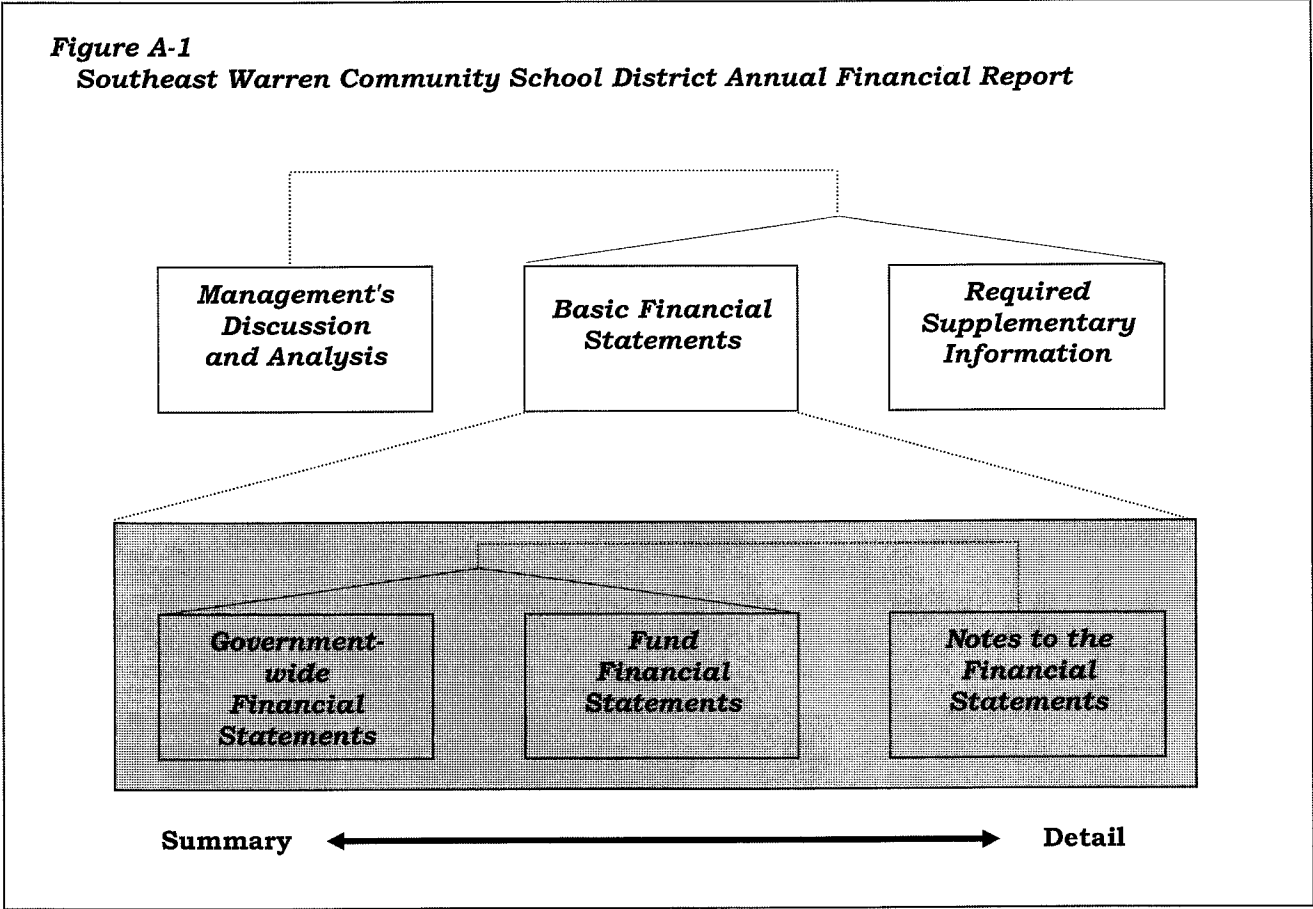


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Day Care Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

- **Agency Fund** – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 4,140,871	4,227,936	159,108	144,981	4,299,979	4,372,917	-1.67%
Capital assets	4,304,487	4,394,139	93,747	92,545	4,398,234	4,486,684	-1.97%
Total assets	8,445,358	8,622,075	252,855	237,526	8,698,213	8,859,601	-1.82%
Long-term obligations	2,933,762	3,113,166	0	0	2,933,762	3,113,166	-5.76%
Other liabilities	2,857,191	3,195,079	27,653	21,349	2,884,844	3,216,428	-10.31%
Total liabilities	5,790,953	6,308,245	27,653	21,349	5,818,606	6,329,594	-8.07%
Net assets:							
Invested in capital assets, net of related debt	1,409,487	1,609,821	93,747	92,545	1,503,234	1,702,366	-11.70%
Restricted	985,589	355,848	0	0	985,589	355,848	176.97%
Unrestricted	259,329	348,161	131,455	123,632	390,784	471,793	-17.17%
Total net assets	\$ 2,654,405	2,313,830	225,202	216,177	2,879,607	2,530,007	13.82%

The District's combined net assets increased by 13.82% or \$349,600 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$629,741 or 176.97% over the prior year. This dramatic increase is due to a change in the way restricted assets are calculated as compared to the previous year. In previous years, the balance of the Capital Projects Fund as well as the balance of the Debt Service Fund was added

back to the invested in capital assets net of related debt. Beginning this year, the fund balances for these two funds is considered a restricted balance unless the District has construction in progress, then the balance of the bond proceeds construction account would be added back to the invested in capital assets net of related debt.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$81,009 or 17.17%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 as compared to the year ended June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 357,475	412,874	197,770	207,234	555,245	620,108	-10.46%
Operating grants and contributions and restricted interest	562,877	534,075	120,706	110,567	683,583	644,642	6.04%
Capital grants and contributions and restricted interest	0	4,262	0	0	0	4,262	-100.00%
General revenues:							
Local tax	1,983,423	1,943,701	0	0	1,983,423	1,943,701	2.04%
Local option sales and service tax	335,453	272,713	0	0	335,453	272,713	23.01%
Unrestricted state grants	2,557,735	2,439,628	0	0	2,557,735	2,439,628	4.84%
Other	181,172	81,221	6,179	4,574	187,351	85,795	118.37%
Total revenues	5,978,135	5,688,474	324,655	322,375	6,302,790	6,010,849	4.86%
Program expenses:							
Governmental activities:							
Instruction	3,567,338	3,416,284	0	0	3,567,338	3,416,284	4.42%
Support services	1,599,685	1,560,363	0	0	1,599,685	1,560,363	2.52%
Non-instructional programs	0	0	315,630	301,754	315,630	301,754	4.60%
Other expenses	470,537	514,302	0	0	470,537	514,302	-8.51%
Total expenses	5,637,560	5,490,949	315,630	301,754	5,953,190	5,792,703	2.77%
Changes in net assets	340,575	197,525	9,025	20,621	349,600	218,146	60.26%
Net assets beginning of year	2,313,830	2,116,305	216,177	195,556	2,530,007	2,311,861	9.44%
Net assets end of year	\$ 2,654,405	2,313,830	225,202	216,177	2,879,607	2,530,007	13.82%

In fiscal 2007, local tax and unrestricted state grants account for 75.96% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.10% of the revenue from business type activities.

The District's total revenues were approximately \$6.30 million of which \$5.98 million was for governmental activities and \$0.32 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.86% in revenues and a 2.77% increase in expenses. The increase in expenses was related to the increase in instructional and support services costs during the year.

Governmental Activities

Revenues for governmental activities were \$5,978,135 and expenses were \$5,637,560. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 3,567,338	3,416,284	4.42%	2,842,181	2,642,204	7.57%
Support services	1,599,685	1,560,363	2.52%	1,588,889	1,558,567	1.95%
Other expenses	470,537	514,302	-8.51%	286,138	338,967	-15.59%
Totals	<u>\$ 5,637,560</u>	<u>5,490,949</u>	<u>2.67%</u>	<u>4,717,208</u>	<u>4,539,738</u>	<u>3.91%</u>

- The cost financed by users of the District's programs was \$357,475.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$562,877.
- The net cost of governmental activities was financed with \$1,983,423 in local tax, \$335,453 in local option sales and service tax, \$2,557,735 in unrestricted state grants and \$97,786 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$324,655 and expenses were \$315,630. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Southeast Warren Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$919,546, below last year's ending fund balances of \$1,142,583.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. Increases in state grant revenues during the year, resulted in a decrease in revenues. The overall increase in fund revenues was not enough to offset the increase in fund expenditures during the year, thus ensuring the decline in General Fund balance.

-
- The Management Levy fund balance increased from \$213,394 to \$259,546. Revenues for the Fund increased when compared to fiscal 2006. The increase in revenues was more than enough to offset the increase in fund expenditures guaranteeing the positive gain in fund balance.
 - The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$65,231 to \$109,285. Fund revenues and expenditures increased when compared to fiscal 2006. Fund revenues were also enough to offset the increase in expenditures.
 - The Capital Projects fund balance increased from \$285,092 in 2006, to \$503,574 in 2007, due to revenues exceeding expenditures during the year. This represents a 76.64% increase over the year ending 2006 fund balance.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$182,314 at June 30, 2006 to \$197,316 at June 30, 2007, representing an increase of approximately 8.23%. The Day Care Fund net assets decreased from \$33,863 in 2006, to \$27,886 in 2007, due to an increase in expenditures during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$99,143 less than budgeted revenues, a variance of 1.56%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$4.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.97% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$178,799.

The original cost of the District's capital assets was \$7,104,135. Governmental funds account for \$6,896,137 with the remainder of \$207,998 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year in terms of dollar amount occurred in the buildings category. The District's buildings totaled \$4,187,885 at June 30, 2006 compared to \$4,136,586 at June 30, 2007. This decrease is due to the depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 15,174	21,174	0	0	15,174	21,174	-28.34%
Buildings	4,136,586	4,187,885	0	0	4,136,586	4,187,885	-1.22%
Land improvements	29,104	30,947	0	0	29,104	30,947	-5.96%
Machinery and equipment	123,623	154,133	93,747	92,545	217,370	246,678	-11.88%
Total	\$ 4,304,487	4,394,139	93,747	92,545	4,398,234	4,486,684	-1.97%

Long-Term Debt

At June 30, 2007, the District had long-term debt outstanding of \$2,933,762 in general obligation bonds, early retirement and compensated absences. This represents a decrease of approximately 5.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,895,000 at June 30, 2007.

The District had total outstanding Early Retirement payable from the Special Revenue – Management Levy Fund of \$21,552 at June 30, 2007.

The District also had total outstanding compensated absences of \$17,210 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 2,895,000	3,075,000	-5.9%
Early retirement	21,552	20,774	3.7%
Compensated absences	17,210	17,392	-1.0%
Total	\$ 2,933,762	3,113,166	-5.8%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Wilson, District Business Manager, Southeast Warren Community School District, 16331 Tyler Street, Liberty Center, Iowa, 50145.

BASIC FINANCIAL STATEMENTS

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP (Note 5)	\$ 415,343	0	415,343
Other	1,541,399	142,011	1,683,410
Receivables			
Property tax:			
Delinquent	39,631	0	39,631
Succeeding year	1,753,803	0	1,753,803
Income surtax	163,383	0	163,383
Accounts	10,032	12,155	22,187
Accrued ISCAP interest (Note 5)	26,669	0	26,669
Due from other governments	190,611	0	190,611
Inventories	0	4,942	4,942
Capital assets, net of accumulated depreciation (Note 6)	4,304,487	93,747	4,398,234
Total Assets	8,445,358	252,855	8,698,213
Liabilities			
Accounts payable	45,788	11,325	57,113
Salaries and benefits payable	564,756	13,898	578,654
Due to other governments	27,803	0	27,803
Accrued interest payable	22,286	0	22,286
ISCAP warrants payable (Note 5)	416,000	0	416,000
ISCAP accrued interest payable (Note 5)	23,668	0	23,668
ISCAP unamortized premium	3,087	0	3,087
Deferred revenue:			
Succeeding year property tax	1,753,803	0	1,753,803
Unearned revenue	0	2,430	2,430
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds	190,000	0	190,000
Early retirement	21,552	0	21,552
Compensated absences	17,210	0	17,210
Portion due after one year:			
General obligation bonds	2,705,000	0	2,705,000
Total Liabilities	5,790,953	27,653	5,818,606
Net Assets			
Invested in capital assets, net of related debt	1,409,487	93,747	1,503,234
Restricted for:			
Beginning teacher mentoring	5,227	0	5,227
Salary improvement program	230	0	230
Professional development	19	0	19
Market factor	4,282	0	4,282
Talented and gifted	29,355	0	29,355
Early Intervention	1,899	0	1,899
Management levy	237,994	0	237,994
Physical plant and equipment levy	109,285	0	109,285
Capital projects	503,574	0	503,574
Debt service	29,100	0	29,100
Other special revenue purposes	64,624	0	64,624
Unrestricted	259,329	131,455	390,784
Total Net Assets	\$ 2,654,405	225,202	2,879,607

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest		Governmental Activities	Business-Type Activities	Total
Functions/Programs	Expenses					
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,064,931	169,064	344,982	(1,550,885)	0	(1,550,885)
Special instruction	953,522	48,759	28,318	(876,445)	0	(876,445)
Other instruction	548,885	129,565	4,469	(414,851)	0	(414,851)
	<u>3,567,338</u>	<u>347,388</u>	<u>377,769</u>	<u>(2,842,181)</u>	<u>0</u>	<u>(2,842,181)</u>
Support services:						
Student services	146,860	0	0	(146,860)	0	(146,860)
Instructional staff services	214,020	0	0	(214,020)	0	(214,020)
Administration services	504,797	0	0	(504,797)	0	(504,797)
Operation and maintenance of plant services	448,826	0	0	(448,826)	0	(448,826)
Transportation services	285,182	10,087	709	(274,386)	0	(274,386)
	<u>1,599,685</u>	<u>10,087</u>	<u>709</u>	<u>(1,588,889)</u>	<u>0</u>	<u>(1,588,889)</u>
Other expenditures:						
Facilities acquisitions	28,361	0	0	(28,361)	0	(28,361)
Long-term debt interest	141,615	0	0	(141,615)	0	(141,615)
AEA flowthrough	184,399	0	184,399	0	0	0
Depreciation (unallocated)*	116,162	0	0	(116,162)	0	(116,162)
	<u>470,537</u>	<u>0</u>	<u>184,399</u>	<u>(286,138)</u>	<u>0</u>	<u>(286,138)</u>
Total governmental activities	5,637,560	357,475	562,877	(4,717,208)	0	(4,717,208)
Business-Type activities:						
Non-instructional programs:						
Support services:						
Administration services	1,280	0	0	0	(1,280)	(1,280)
Operation and maintenance of plant services	14,360	0	0	0	(14,360)	(14,360)
Nutrition services	223,703	155,035	91,028	0	22,360	22,360
Day Care	76,287	42,735	29,678	0	(3,874)	(3,874)
Total business-type activities	<u>315,630</u>	<u>197,770</u>	<u>120,706</u>	<u>0</u>	<u>2,846</u>	<u>2,846</u>
Total	<u>\$ 5,953,190</u>	<u>555,245</u>	<u>683,583</u>	<u>(4,717,208)</u>	<u>2,846</u>	<u>(4,714,362)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,637,600	0	1,637,600
Debt service				312,809	0	312,809
Capital outlay				33,014	0	33,014
Local option sales and services				335,453	0	335,453
Unrestricted state grants				2,557,735	0	2,557,735
Unrestricted investment earnings				97,786	6,179	103,965
Gain on sale of equipment				40,334	0	40,334
Other general revenues				43,052	0	43,052
Total general revenues				<u>5,057,783</u>	<u>6,179</u>	<u>5,063,962</u>
Changes in net assets				340,575	9,025	349,600
Net assets beginning of year				<u>2,313,830</u>	<u>216,177</u>	<u>2,530,007</u>
Net assets end of year				<u>\$ 2,654,405</u>	<u>225,202</u>	<u>2,879,607</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments:					
ISCAP(Note 5)	\$ 415,343	0	0	0	415,343
Other	714,304	259,854	375,761	191,480	1,541,399
Receivables:					
Property tax:					
Delinquent	29,534	2,440	0	7,657	39,631
Succeeding year	1,355,139	50,000	0	348,664	1,753,803
Income surtax	163,383	0	0	0	163,383
Interfund	0	0	0	3,002	3,002
Accounts	6,958	0	0	3,074	10,032
Accrued ISCAP interest (Note 5)	26,669	0	0	0	26,669
Due from other governments	45,892	0	144,719	0	190,611
Total Assets	\$ 2,757,222	312,294	520,480	553,877	4,143,873
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	\$ 0	0	3,002	0	3,002
Accounts payable	26,932	2,748	13,904	2,204	45,788
Salaries and benefits payable	564,756	0	0	0	564,756
Due to other governments	27,803	0	0	0	27,803
ISCAP warrants payable (Note 5)	416,000	0	0	0	416,000
ISCAP accrued interest payable (Note 5)	23,668	0	0	0	23,668
ISCAP unamortized premium	3,087	0	0	0	3,087
Deferred revenue:					
Succeeding year property tax	1,355,139	50,000	0	348,664	1,753,803
Income surtax	163,383	0	0	0	163,383
Total liabilities	2,580,768	52,748	16,906	350,868	3,001,290
Fund balances:					
Reserved for:					
Debt service	0	0	0	29,100	29,100
Beginning teacher mentoring	5,227	0	0	0	5,227
Salary improvement program	230	0	0	0	230
Professional development	19	0	0	0	19
Market factor	4,282	0	0	0	4,282
Talented and gifted	29,355	0	0	0	29,355
Early Intervention	1,899	0	0	0	1,899
Unreserved	135,442	259,546	503,574	173,909	1,072,471
Total fund balances	176,454	259,546	503,574	203,009	1,142,583
Total Liabilities and Fund Balances	\$ 2,757,222	312,294	520,480	553,877	4,143,873

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 16)	\$ 1,142,583
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	4,304,487
Accrued interest payable in the long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(22,286)
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	163,383
Long-term liabilities, including bonds payable, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,933,762)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 2,654,405</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,501,423	109,891	335,453	345,823	2,292,590
Tuition	188,992	0	0	0	188,992
Other	128,803	25,772	15,017	144,198	313,790
Intermediate sources	3,406	0	0	0	3,406
State sources	2,982,731	90	0	283	2,983,104
Federal sources	129,633	0	0	0	129,633
Total revenues	4,934,988	135,753	350,470	490,304	5,911,515
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,018,660	45,149	0	0	2,063,809
Special instruction	953,522	0	0	0	953,522
Other instruction	415,858	0	0	133,027	548,885
	3,388,040	45,149	0	133,027	3,566,216
Support services:					
Student services	146,860	0	0	0	146,860
Instructional staff services	168,008	0	43,066	0	211,074
Administration services	502,517	4,870	0	0	507,387
Operation and maintenance of plant services	413,766	28,932	0	0	442,698
Transportation services	232,744	10,650	0	18,288	261,682
	1,463,895	44,452	43,066	18,288	1,569,701
Other expenditures:					
Facilities acquisitions	0	0	82,262	11,099	93,361
Long-term debt:					
Principal	0	0	0	180,000	180,000
Interest	0	0	0	143,115	143,115
AEA flowthrough	184,399	0	0	0	184,399
	184,399	0	82,262	334,214	600,875
Total expenditures	5,036,334	89,601	125,328	485,529	5,736,792
Excess(deficiency) of revenues over(under) expenditures	(101,346)	46,152	225,142	4,775	174,723
Other financing sources(uses):					
Sale of equipment	11,214	0	0	37,100	48,314
Transfers in	0	0	0	6,660	6,660
Transfers out	0	0	(6,660)	0	(6,660)
Total other financing sources(uses)	11,214	0	(6,660)	43,760	48,314
Net change in fund balances	(90,132)	46,152	218,482	48,535	223,037
Fund balance beginning of year	266,586	213,394	285,092	154,474	919,546
Fund balance end of year	\$ 176,454	259,546	503,574	203,009	1,142,583

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ 223,037

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 83,288	
Depreciation expense	(164,960)	
Loss on asset disposal	<u>(7,980)</u>	(89,652)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows: 180,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,500

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 26,286

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

Early retirement	(778)	
Compensated absences	<u>182</u>	<u>(596)</u>

Changes in net assets of governmental activities (page 15) \$ 340,575

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	School Nutrition	Day Care	Total
Assets			
Cash and pooled investments	\$ 110,145	31,866	142,011
Accounts receivable	10,690	1,465	12,155
Inventories	4,942	0	4,942
Capital assets, net of accumulated depreciation(Note 6)	88,668	5,079	93,747
Total Assets	214,445	38,410	252,855
Liabilities			
Accounts payable	801	10,524	11,325
Salaries and benefits payable	13,898	0	13,898
Unearned revenues	2,430	0	2,430
Total Liabilities	17,129	10,524	27,653
Net Assets			
Invested in capital assets	88,668	0	93,747
Unrestricted	108,648	27,886	131,455
Total Net Assets	\$ 197,316	27,886	225,202

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 155,035	42,735	197,770
OPERATING EXPENSES:			
Support services:			
Administration services:			
Services	80	200	280
Other	1,000	0	1,000
Operation and maintenance of plant services:			
Salaries	6,930	0	6,930
Benefits	929	0	929
Services	3,178	546	3,724
Supplies	0	2,777	2,777
Total support services	12,117	3,523	15,640
Non-instructional programs:			
Salaries	65,763	53,993	119,756
Benefits	24,838	11,004	35,842
Services	43	0	43
Supplies	119,753	9,745	129,498
Depreciation	12,294	1,545	13,839
Total non-instructional programs	222,691	76,287	298,978
TOTAL OPERATING EXPENSES	234,808	79,810	314,618
OPERATING LOSS	(79,773)	(37,075)	(116,848)
NON-OPERATING REVENUES:			
State sources	3,015	0	3,015
Federal sources	88,013	29,678	117,691
Interest income	4,759	1,420	6,179
TOTAL NON-OPERATING REVENUES	95,787	31,098	126,885
Change in net assets before other financing uses	16,014	(5,977)	10,037
Loss on asset disposal	(1,012)	0	(1,012)
Changes in net assets	15,002	(5,977)	9,025
Net assets beginning of year	182,314	33,863	216,177
Net assets end of year	\$ 197,316	27,886	225,202

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 140,398	0	140,398
Cash received from miscellaneous operating activities	4,322	41,270	45,592
Cash payments to employees for services	(96,802)	(64,997)	(161,799)
Cash payments to suppliers for goods or services	(110,297)	(9,480)	(119,777)
Net cash used in operating activities	(62,379)	(33,207)	(95,586)
Cash flows from non-capital financing activities:			
State grants received	3,015	0	3,015
Federal grants received	73,590	29,678	103,268
Net cash provided by non-capital financing activities	76,605	29,678	106,283
Cash flows from capital and related financing activities:			
Purchase of capital assets	(16,053)	0	(16,053)
Cash flows from investing activities:			
Interest on investments	4,759	1,420	6,179
Net increase(decrease) in cash and cash equivalents	2,932	(2,109)	823
Cash and cash equivalents at beginning of year	107,213	33,975	141,188
Cash and cash equivalents at end of year	\$ 110,145	31,866	142,011
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (79,773)	(37,075)	(116,848)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	14,423	0	14,423
Depreciation	12,294	1,545	13,839
Increase in inventories	(1,149)	0	(1,149)
Increase in accounts receivable	(10,690)	(1,465)	(12,155)
Increase in accounts payable	483	3,788	4,271
Increase in salaries and benefits payable	1,658	0	1,658
Increase in unearned revenue	375	0	375
Net cash provided used in operating activities	\$ (62,379)	(33,207)	(95,586)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 110,145	31,866	142,011
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2007, the District received Federal commodities valued at \$14,423.			
SEE NOTES TO BASIC FINANCIAL STATEMENTS.			

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2007

	<u>Agency</u>
Assets	
Cash and pooled investments	<u>\$ 1,168</u>
Liabilities	
Due to other groups	<u>\$ 1,168</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Southeast Warren Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominate agricultural territory in Warren and Lucas counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Southeast Warren Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Southeast Warren Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Warren and Lucas Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Levy Fund is used to account for the transactions related to the District's insurance coverage as well as early retirement benefits paid to former District employees.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the DayCare Fund. The School Nutrition Fund is used to account for the food service operations of the District while the DayCare Fund is used to account for childcare services provided by the District to employees and other families in the community.

The District reports the following fiduciary fund:

The District's fiduciary fund is the Agency Fund. The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items + are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	<u>\$ 1,560,442</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 6,660</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Due From and Due to Other Funds

At June 30, 2007 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects	<u>\$ 3,002</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07B	1/26/07	1/25/08	\$ 0	26,545	0	23,566
2007-08A	6/28/07	6/27/08	415,343	124	416,000	102
			<u>\$ 415,343</u>	<u>26,669</u>	<u>416,000</u>	<u>23,668</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ 0	300,000	300,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 194,745	16,053	2,800	207,998
Less accumulated depreciation	102,200	13,839	1,788	114,251
Business-type activities capital assets, net	<u>\$ 92,545</u>	<u>2,214</u>	<u>1,012</u>	<u>93,747</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 21,174	0	6,000	15,174
Total capital assets not being depreciated	21,174	0	6,000	15,174
Capital assets being depreciated:				
Buildings	5,714,856	65,000	3,000	5,776,856
Improvements other than buildings	55,048	0	0	55,048
Machinery and equipment	1,030,771	18,288	0	1,049,059
Total capital assets being depreciated	6,800,675	83,288	3,000	6,880,963
Less accumulated depreciation for:				
Buildings	1,526,971	114,319	1,020	1,640,270
Improvements other than buildings	24,101	1,843	0	25,944
Machinery and equipment	876,638	48,798	0	925,436
Total accumulated depreciation	2,427,710	164,960	1,020	2,591,650
Total capital assets being depreciated, net	4,372,965	(81,672)	1,980	4,289,313
Governmental activities capital assets, net	\$ 4,394,139	(81,672)	7,980	4,304,487

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 344
Support services:	
Instructional staff	2,987
Operation and maintenance of plant	4,454
Transportation	41,013
Administration	48,798
Unallocated depreciation	116,162
Total governmental activities depreciation expense	\$ 164,960
Business-type activities:	
Food services	\$ 12,294
Day Care	1,545
Total business-type activities depreciation expense	\$ 13,839

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 3,075,000	0	180,000	2,895,000	190,000
Early retirement	20,774	21,552	20,774	21,552	21,552
Compensated absences	17,392	17,210	17,392	17,210	17,210
Total	\$ 3,113,166	38,762	218,166	2,933,762	228,762

Bonded Debt

Details of the District's June 30, 2007 general obligation bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue date October 14, 1998		
		Principal	Interest	Total
2008	5.00 % \$	190,000	133,715	323,715
2009	4.30	195,000	124,215	319,215
2010	4.30	205,000	115,830	320,830
2011	4.38	215,000	107,015	322,015
2012	4.40	220,000	97,609	317,609
2013	4.50	230,000	87,929	317,929
2014	4.50	245,000	77,579	322,579
2015	4.63	255,000	66,554	321,554
2016	4.70	265,000	54,760	319,760
2017	4.80	280,000	42,305	322,305
2018	4.80	290,000	28,865	318,865
2019	4.90	305,000	14,944	319,944
Total		\$ 2,895,000	951,320	3,846,320

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$177,974, \$170,299 and \$161,397, respectively, equal to the required contributions for each year.

(9) Risk Management

Southeast Warren Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$184,399 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,795,372	203,949	2,999,321	3,010,214	3,010,214	(10,893)
Intermediate sources	3,406	0	3,406	0	0	3,406
State sources	2,983,104	3,015	2,986,119	3,015,099	3,015,099	(28,980)
Federal sources	129,633	117,691	247,324	310,000	310,000	(62,676)
Total revenues	5,911,515	324,655	6,236,170	6,335,313	6,335,313	(99,143)
Expenditures:						
Instruction	3,566,216	0	3,566,216	3,785,000	3,785,000	218,784
Support services	1,569,701	15,640	1,585,341	1,689,850	1,790,000	204,659
Non-instructional programs	0	298,978	298,978	491,500	491,500	192,522
Other expenditures	600,875	0	600,875	1,180,230	1,180,230	579,355
Total expenditures	5,736,792	314,618	6,051,410	7,146,580	7,246,730	1,195,320
Excess(deficiency) of revenues over(under) expenditures	174,723	10,037	184,760	(811,267)	(911,417)	1,096,177
Other financing sources, net	48,314	(1,012)	47,302	39,500	39,500	7,802
Excess(deficiency) of revenues over(under) expenditures	223,037	9,025	232,062	(771,767)	(871,917)	1,103,979
Balance beginning of year	919,546	216,177	1,135,723	1,114,727	1,114,727	20,996
Balance end of year	\$ 1,142,583	225,202	1,367,785	342,960	242,810	1,124,975

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2007, the District adopted one budget amendment increasing total expenditures by \$100,150.

OTHER SUPPLEMENTARY INFORMATION

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds				Total
	Physical				Other
	Plant and	Total	Debt	Nonmajor	
	Student	Equipment	Special	Debt	Governmental
	Activity	Levy	Revenue	Service	Funds
Assets					
Cash and pooled investments	\$ 63,754	108,554	172,308	19,172	191,480
Receivables:					
Property tax:					
Current year delinquent	0	731	731	6,926	7,657
Succeeding year	0	33,349	33,349	315,315	348,664
Interfund	0	0	0	3,002	3,002
Accounts	3,074	0	3,074	0	3,074
Total Assets	\$ 66,828	142,634	209,462	344,415	553,877
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,204	0	2,204	0	2,204
Deferred revenue:					
Succeeding year property tax	0	33,349	33,349	315,315	348,664
Total Liabilities	2,204	33,349	35,553	315,315	350,868
Fund balances:					
Reserved:					
Debt service	0	0	0	29,100	29,100
Unreserved	64,624	109,285	173,909	0	173,909
Total fund balances	64,624	109,285	173,909	29,100	203,009
Liabilities and Fund Balances	\$ 66,828	142,634	209,462	344,415	553,877

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				Total
	Physical		Total	Debt	Other
	Student	Plant and	Special	Service	Nonmajor
	Activity	Equipment	Revenue		Governmental
		Levy			Funds
REVENUES:					
Local sources:					
Local tax	\$ 0	33,014	33,014	312,809	345,823
Other	137,784	3,300	141,084	3,114	144,198
State sources	0	27	27	256	283
TOTAL REVENUES	137,784	36,341	174,125	316,179	490,304
EXPENDITURES:					
Current:					
Instruction:					
Other instruction	133,027	0	133,027	0	133,027
Support services:					
Transportation services	0	18,288	18,288	0	18,288
Other expenditures:					
Facilities acquisitions	0	11,099	11,099	0	11,099
Long-term debt:					
Principal	0	0	0	180,000	180,000
Interest	0	0	0	143,115	143,115
TOTAL EXPENDITURES	133,027	29,387	162,414	323,115	485,529
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,757	6,954	11,711	(6,936)	4,775
OTHER FINANCING SOURCES:					
Transfers in	0	0	0	6,660	6,660
Sale of equipment	0	37,100	37,100	0	37,100
Total other financing sources	0	37,100	37,100	6,660	43,760
NET CHANGE IN FUND BALANCES	4,757	44,054	48,811	(276)	48,535
FUND BALANCE BEGINNING OF YEAR	59,867	65,231	125,098	29,376	154,474
FUND BALANCE END OF YEAR	\$ 64,624	109,285	173,909	29,100	203,009

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Art Club	\$ 123	0	0	123
Academic Bowl	21	0	21	0
Athletic Boosters	772	900	1,667	5
Band Trip-HS	727	60	150	637
Band Trip-JH	842	0	149	693
Baseball	0	2,139	2,139	0
Basketball-Boys	3,906	3,586	2,707	4,785
Basketball-Girls	1,973	3,615	2,861	2,727
Cheerleaders	971	2,286	2,092	1,165
Class of 06	535	0	535	0
Class of 07	391	0	391	0
Class of 08	25	5,171	4,180	1,016
Dance Team	1,087	7,763	7,030	1,820
Dance Team-JH	123	0	0	123
Drama	178	3,432	1,563	2,047
Elem Yearbook	903	2,110	1,655	1,358
ELP Trips	550	651	382	819
Est. Comm. Pride	531	0	296	235
FBLA	0	1,809	1,809	0
FCCLA	0	404	307	97
FFA	1,382	17,628	18,058	952
Football	8,254	14,523	15,542	7,235
General Athletics	0	17,570	16,463	1,107
Golf	727	138	865	0
Instrumental Music	40	634	674	0
I-Music Flags	518	5,657	6,023	152
Interest Income	107	3,750	3,857	0
Intermed. Activities	777	890	752	915
Activity Support	23,000	0	3,692	19,308
JEL/SADD	450	82	92	440
JH Cheer	342	441	0	783
JR-SR High Activities	26	1,801	1,820	7
Nat. Honor Society	417	306	342	381
Primary Activities	824	785	882	727
Softball	1,230	5,872	5,026	2,076
Spanish Club	984	0	0	984
Speech	25	1,187	1,212	0
SH Student Council	2,202	428	(459)	3,089
Tournaments	2,477	2,253	3,169	1,561
Track	0	504	504	0
Utility	535	0	535	0
Vocal Music	0	99	99	0
Vocal-NY Trip	0	11,017	5,783	5,234
Volleyball	2	2,632	2,634	0
Volleyball Camp	0	214	0	214
Weightlifting	1,682	2,169	170	3,681
Wrestling	175	6,721	4,626	2,270
Yearbook	33	6,557	10,732	(4,142)
Total	\$ 59,867	137,784	133,027	64,624

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 955	69,484	69,271	1,168
Total assets	<u>\$ 955</u>	<u>69,484</u>	<u>69,271</u>	<u>1,168</u>
Liabilities				
Accounts payable	\$ 144	0	144	0
Due to other groups	811	69,484	69,127	1,168
Total liabilities	<u>\$ 955</u>	<u>69,484</u>	<u>69,271</u>	<u>1,168</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	2,292,590	2,216,414	2,184,579	1,935,298
Tuition		188,992	196,436	192,380	150,073
Other		313,790	296,544	232,777	246,347
Intermediate sources		3,406	0	0	0
State sources		2,983,104	2,814,914	2,724,681	2,605,662
Federal sources		129,633	163,051	163,066	180,250
Total		\$ 5,911,515	5,687,359	5,497,483	5,117,630
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	2,063,809	1,914,385	1,824,019	1,896,490
Special instruction		953,522	900,548	811,582	751,279
Other instruction		548,885	578,639	523,212	442,153
Support services:					
Student services		146,860	149,252	146,397	89,499
Instructional staff services		211,074	166,824	169,643	143,206
Administration services		507,387	509,590	461,651	441,472
Operation and maintenance of plant services		442,698	458,116	404,320	403,734
Transportation services		261,682	289,579	191,592	214,966
Other expenditures:					
Facilities acquisitions		93,361	85,882	184,592	6,069
Long-term debt:					
Principal		180,000	213,705	160,000	155,000
Interest		143,115	158,693	159,615	167,265
AEA flow-through		184,399	171,073	167,064	165,576
Total		\$ 5,736,792	5,596,286	5,203,687	4,876,709

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Southeast Warren Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Warren Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 12, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Warren Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southeast Warren Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Warren Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southeast Warren Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Southeast Warren Community School District's financial statements that is more than inconsequential will not be prevented or detected by Southeast Warren Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Southeast Warren Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

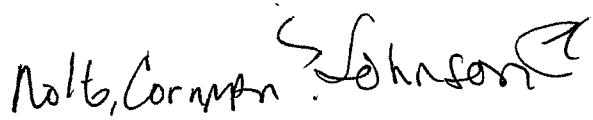
As part of obtaining reasonable assurance about whether Southeast Warren Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Southeast Warren Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Southeast Warren Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southeast Warren Community School District and other parties to whom Southeast Warren Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Southeast Warren Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2008

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

SOUTHEAST WARREN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007 did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kurt Cronbunch, Bus Driver Owns K's Electric Service	Services	\$2,004
Gene Wedley, Coach Owns Lacona Hardware	Supplies	\$946

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions do not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-07 Local Option Sales and Service Tax Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for the purchase of a single unit of equipment exceeding \$500 per unit. According to the District's revenue purpose statement, local option sales and service tax money can be spent for PPEL type expenditures, thus falling within the same \$500 per unit of equipment restriction.

Recommendation - The District should review the Code of Iowa with regard to allowable expenditures for equipment from the PPEL Fund and apply towards the Capital Projects Fund to avoid noncompliance. The District should review revenue purpose statements in regards to the use of local option sales and service tax money to avoid noncompliance.

Response - The District will review the revenue purpose statement to monitor the use of local option sales and services tax money. Any equipment purchases will be as per allowed by the Code of Iowa from the PPEL Fund.

Conclusion - Response accepted.